



Will the Changing Municipal Market Precipitate a Change in the Bond Rating System?

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EBMUD Overview



• Municipal utility district providing water and wastewater services to East Bay

• Water System:

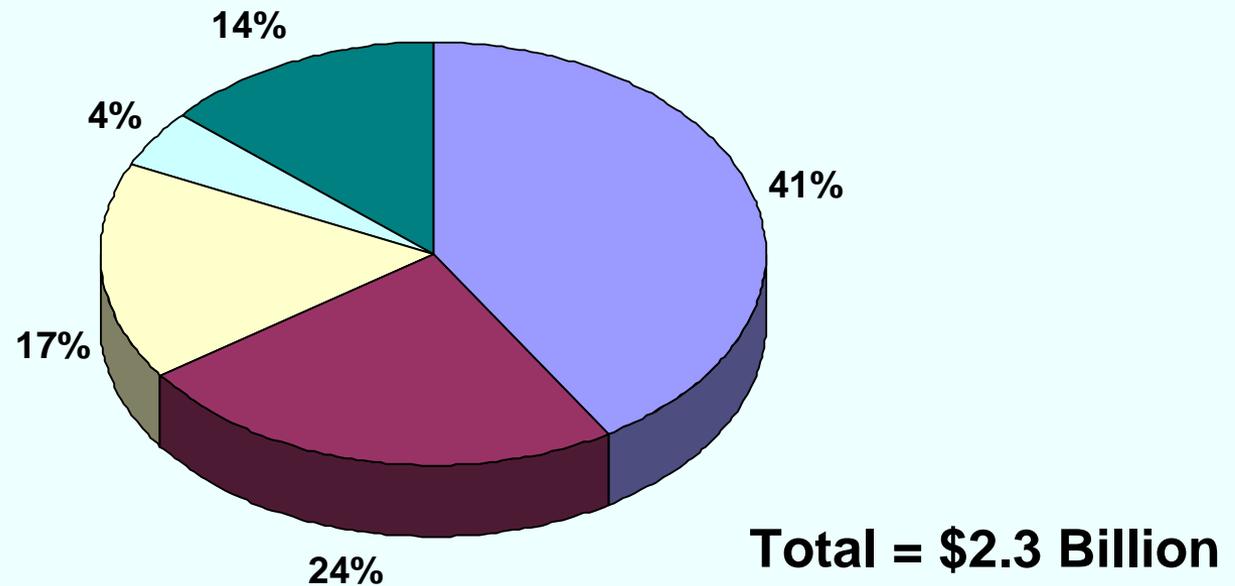
- Serve population of 1.4 million
- 325 square mile service area
- Annual revenues of \$360 million

• Wastewater System:

- Serve population of 600,000
- 83 square mile service area
- Annual revenues of \$70 million

Debt Overview

Outstanding Debt by Type



EBMUD Bond Ratings

Moody's

	Current	Global Scale
Water	Aa2	Aa1
Wastewater	Aa3	Aa2

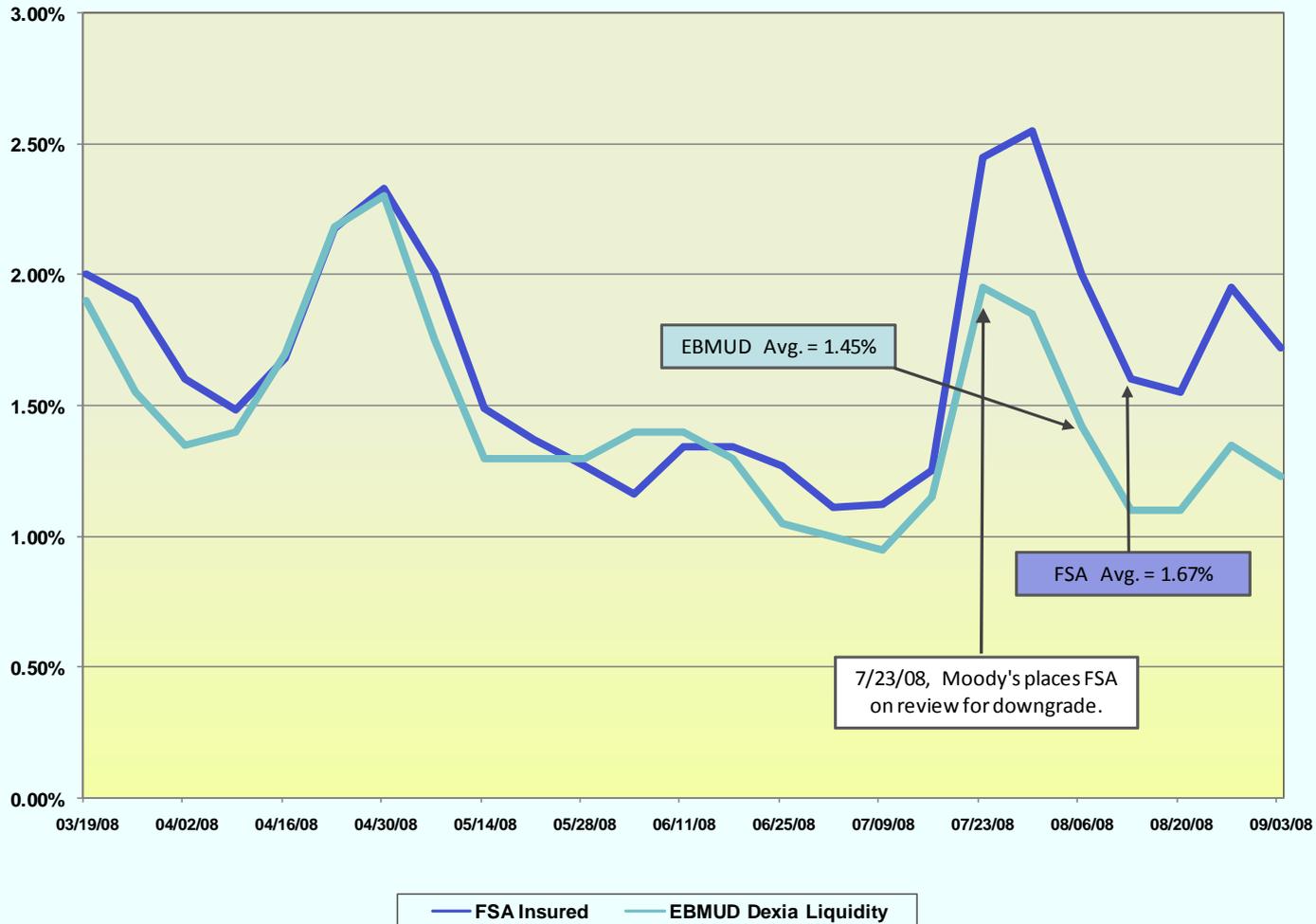
Debt Issued and Insurance Premium Costs Past 10 Years (\$000's)

	Debt Issued		Total Debt Issued	Insurance Costs		Total Insurance Costs
	Fixed Rate	Variable Rate		Fixed Rate	Variable Rate	
Water System	\$1,760,995	\$1,873,275	\$3,634,270	\$4,664	\$2,586	\$7,250
Wastewater System	\$268,710	\$379,650	\$648,360	\$351	\$666	\$1,016
Total	\$2,029,705	\$2,252,925	\$4,282,630	\$5,015	\$3,252	\$8,267

Potential Interest Rate Impacts Revenue Bonds MMD

Year	California Aaa/AAA	California AAA Ins	California Aa/AA	California A/A	California Baa/BBB
2009	1.43	1.62	1.49	1.89	2.55
2014	2.63	2.95	2.72	3.19	3.97
2019	3.44	3.82	3.55	4.05	4.74
2024	3.91	4.33	4.04	4.54	5.07
2029	4.13	4.56	4.25	4.75	5.20
2034	4.33	4.74	4.44	4.91	5.33
2038	4.35	4.76	4.46	4.94	5.34

EBMUD Stand Alone vs. FSA Insured VRDO



Potential Impacts

- Greater concentration of AAA and AA ratings
- Ratings may become less relevant.
- Greater shift to investors doing their own analysis
- Greatest benefit may be in variable rate market for A rated issuers that are increased to AA
- Do global ratings bring new investors to the muni market?